

City of Jewell
Jewell, Kansas

REPORT ON AUDIT
SPECIAL FINANCIAL STATEMENTS

December 31, 2014

BRUNA AUDITING SERVICES LLC
DEREK BRUNA
CERTIFIED PUBLIC ACCOUNTANT
WASHINGTON, KANSAS

CITY OF JEWELL
Jewell, Kansas

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INDEPENDENT AUDITOR'S REPORT

To the City of Jewell
Jewell, Kansas 66949

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Jewell, as of and for the year ended December 31, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note A to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A of the financial statement, the financial statement is prepared by the City of Jewell to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Jewell as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Jewell as of December 31, 2014 and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note A.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

Bruna Auditing Services LLC

 CPA

Derek Bruna, CPA
Washington, Kansas
July 27, 2015

**SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH**
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 1								
Fund	Statement Number	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & A/P	Ending Cash Balance
General Funds:								
General Fund	3-1	\$ 66,286	0	\$ 145,839	\$ 160,429	\$ 51,696	0	\$ 51,696
Special Purpose Funds:								
Library	3-2	586	0	13,194	12,980	800	0	800
Employee Benefits	3-3	14,510	0	23,489	25,571	12,428	0	12,428
Special City Highway	3-4	25,060	0	11,039	11,244	24,855	0	24,855
Apartment Reimbursement	3-5	580	0	17,693	17,693	580	0	580
Proprietary Type Funds:								
Water	3-6	45,272	0	100,978	99,315	46,935	0	46,935
Sewer	3-7	14,581	0	9,626	7,981	16,226	0	16,226
Trash	3-8	2,815	0	26,927	26,592	3,150	0	3,150
Fiduciary Type Funds:								
School Property Fund	3-9	73,472	0	1,180	4,264	70,388	0	70,388
Ula Maag Fund	3-10	251,711	0	1,602	0	253,313	0	253,313
Olive Schafer Fund	3-11	244,131	0	1,690	0	245,821	0	245,821
Total Reporting Entity (Excluding Agency Funds)		\$ 739,004	0	\$ 353,257	\$ 366,069	\$ 726,192	0	\$ 726,192
Composition of Cash								
Guaranty State-Checking								
\$ 16,723								
Guaranty State-Maag								
309,614								
Guaranty State-Schafer								
272,203								
Guaranty State-Gen/Water								
127,652								
Total Cash								
726,192								
Agency Funds Per Schedule 4								
0								
Total Reporting Entity (Excluding Agency Funds)								
726,192								

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended December 31, 2014

STATEMENT 2

Fund	Statement Number	Certified Budget		Adjustments		Adjustments For		Total Budget		Expenditures		Variance Over (Under)
				To Comply With Legal Max		Qualifying Budget Credits	For	Comparison	Chargeable To Current Year			
General Funds:												
General Fund	3-1	\$	190,000	\$	0	\$	0	\$	190,000	\$	160,429	\$ (29,571)
Special Purpose Funds:												
Library	3-2		12,980		0		0		12,980		12,980	0
Employee Benefits	3-3		30,000		0		0				25,571	25,571
Special City Highway	3-4		24,893		0		0		24,893		11,244	(13,649)
Apartment Reimbursement	3-5		35,580		0		0		35,580		17,693	(17,887)
Proprietary Type Funds:												
Water	3-6		129,829		0		0		129,829		99,315	(30,514)
Sewer	3-7		20,000		0		0		20,000		7,981	(12,019)
Trash	3-8		32,844		0		0		32,844		26,592	(6,252)
TOTALS		\$	476,126	\$	0	\$	0	\$	446,126	\$	361,805	\$ (84,321)

City of Jewell
Jewell, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-1

GENERAL

	Current Year		
	Actual		Variance Over
	Transactions	Budget	(Under)
Cash Receipts			
Ad Valorem Tax	\$ 53,013	\$ 0	\$ 53,013
Delinquent Tax	0	750	
Intangible	3,360	3,360	0
LAVTR/M & E	0	0	
MVL	8,463	9,170	(707)
MVL-16/20 M	649	636	13
Recreational Vehicle	190	239	(49)
Commercial Vehicle	713	0	713
Alcoholic Liquor Tax	0	0	0
Compensating Tax	4,266	3,700	566
Retail Sales Tax	17,409	17,000	409
Revenue Sharing Tax	0	0	0
Franchise Tax/Fees	23,800	22,500	1,300
Fee, License, Permit	2,179	2,000	179
Fire Contract Fees	1,620	4,500	(2,880)
Miscellaneous	1,450	6,300	(4,850)
Insufficient Funds	244	0	244
Restitution-Others	0	0	0
Restitution-Payment	0	0	0
Interest-Idle Funds	755	1,750	(995)
Local Contributions	20	0	20
Community Center	27,708	7,500	20,208
City Court	0	250	(250)
Grant Funds	0	0	0
Transfer	0	20,500	(20,500)
Total Cash Receipts	\$ 145,839	\$ 100,155	\$ 46,434
Expenditures			
General Administration			
Personnel Services	\$ 45,339	\$ 53,000	\$ (7,661)
Contractual	8,775	9,500	(725)
Commodities	1,146	1,500	(354)
Capital Outlay	432	0	432
Total General Administration	55,692	64,000	(8,308)
Fire			
Personnel Services	\$ 704	\$ 800	\$ (96)
Contractual	6,164	6,000	164
Commodities	2,335	2,500	(165)

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Capital Outlay	0	7,250	(7,250)
Total Fire	<u>9,203</u>	<u>16,550</u>	<u>(7,347)</u>
Parks			
Personnel Services	\$ 0	\$ 0	0
Contractual	1,361	3,000	(1,639)
Commodities	2,149	2,000	149
Capital Outlay	0	0	0
Total Parks	<u>3,510</u>	<u>5,000</u>	<u>(1,490)</u>
Street			
Personnel Services	\$ 12,185	\$ 8,000	\$ 4,185
Contractual	2,016	2,500	(484)
Commodities	3,273	6,500	(3,227)
Capital Outlay	1,539	6,500	(4,961)
Total Street	<u>19,013</u>	<u>23,500</u>	<u>(4,487)</u>
Street Lighting			
Contractual	10,361	10,500	(139)
Total Street Lighting	<u>10,361</u>	<u>10,500</u>	<u>(139)</u>
Shop			
Personnel Services	\$ 0	\$ 0	0
Contractual	0	0	0
Commodities	4,016	4,500	(484)
Capital Outlay	0	0	0
Total Shop	<u>4,016</u>	<u>4,500</u>	<u>(484)</u>
Community Center			
Personnel Services	\$ 0	\$ 2,000	\$ (2,000)
Contractual	24,567	21,000	3,567
Commodities	2,168	4,200	(2,032)
Capital Outlay	0	1,500	(1,500)
Total Community Center	<u>26,735</u>	<u>28,700</u>	<u>(1,965)</u>
City Court			
Personnel Services	\$ 0	\$ 250	\$ (250)
Contractual	18,025	18,500	(475)
Total City Court	<u>18,025</u>	<u>18,750</u>	<u>(725)</u>
Broadway Street Project			
Capital Outlay	13,874	18,500	(4,626)
Total Broadway Street Project	<u>13,874</u>	<u>18,500</u>	<u>(4,626)</u>
Total Expenditures	160,429	190,000	(29,571)
Receipts Over (Under) Expenditures	(14,590)		
Unencumbered Cash - Beginning	<u>66,286</u>		
Unencumbered Cash - Ending	<u>\$ 51,696</u>		

City of Jewell
Jewell, Kansas
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-2

LIBRARY

	<u>Current Year</u>		
	<u>Actual Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts			
Ad Valorem Tax	\$ 10,634	\$ 0	\$ 10,634
Delinquent Tax	0	0	0
LAVTR/M & E	0	0	0
MVL	2,174	2,432	(258)
MVL-16/20 M	150	168	(18)
Recreational Vehicle	47	63	(16)
Commercial Vehicle	189	0	189
Total Cash Receipts	\$ <u>13,194</u>	\$ <u>2,663</u>	\$ <u>10,531</u>
Expenditures			
Contractual	\$ 12,980	\$ 12,980	\$ 0
Total Expenditures	\$ <u>12,980</u>	\$ <u>12,980</u>	\$ <u>0</u>
 Receipts Over (Under) Expenditures	 214		
 Unencumbered Cash - Beginning	 <u>586</u>		
 Unencumbered Cash - Ending	 <u>\$ 800</u>		

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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-3

EMPLOYEE BENEFITS

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Tax	14,096	0	14,096
Delinquent Tax	0	0	0
LAVTR/M & E	0	0	0
MVL	6,481	6,443	38
MVL-16/20 M	621	446	175
Recreational Vehicle	158	168	(10)
Commercial Vehicle	501	0	501
Miscellaneous	1,632	960	672
Transfer In (Water)	0	0	0
Transfer in (Sewer)	0	0	0
Total Cash Receipts	\$ 23,489	\$ 8,017	\$ 15,472
Expenditures			
Personnel Services	22,257	27,000	(4,743)
Contractual	3,314	3,000	314
Commodities	0	0	0
Capital Outlay	0	0	0
Total Expenditures	\$ 25,571	\$ 30,000	\$ (4,429)
Receipts Over (Under) Expenditures	(2,082)		
Unencumbered Cash - Beginning	14,510		
Unencumbered Cash - Ending	\$ 12,428		

City of Jewell
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-4

SPECIAL CITY HIGHWAY

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts			
Miscellaneous	\$ 0	\$ 0	\$ 0
St. of KS Gas Tax	11,039	11,310	(271)
Total Cash Receipts	\$ <u>11,039</u>	\$ <u>11,310</u>	\$ <u>(271)</u>
Expenditures			
Personnel Services	\$ 4,157	\$ 0	\$ 4,157
Contractual	407	24,893	(24,486)
Commodities	6,680	0	6,680
Capital Outlay	0	0	0
Total Expenditures	\$ <u>11,244</u>	\$ <u>24,893</u>	\$ <u>(13,649)</u>
Receipts Over (Under) Expenditures	(205)		
Unencumbered Cash - Beginning	<u>25,060</u>		
Unencumbered Cash - Ending	\$ <u>24,855</u>		

City of Jewell
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-5

APARTMENT REIMBURSEMENT

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts			
Miscellaneous	\$ 0	\$ 0	\$ 0
Salary Reimbursement	17,693	35,580	(17,887)
Total Cash Receipts	\$ <u>17,693</u>	\$ <u>35,580</u>	\$ <u>(17,887)</u>
Expenditures			
Personnel Services	\$ 17,693	\$ 35,580	\$ (17,887)
Commodities		0	0
Total Expenditures	\$ <u>17,693</u>	\$ <u>35,580</u>	\$ <u>(17,887)</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash - Beginning	<u>580</u>		
Unencumbered Cash - Ending	\$ <u>580</u>		

City of Jewell
Jewell, Kansas

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014**

STATEMENT 3-6

WATER

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts			
Tower Lease	\$ 4,022	\$ 0	\$ 4,022
Miscellaneous	310	0	310
Interest on CD	318	2,500	(2,182)
Charges to Customers	96,328	125,000	(28,672)
Total Cash Receipts	\$ <u>100,978</u>	\$ <u>127,500</u>	\$ <u>(26,522)</u>
Expenditures			
Personnel Services	\$ 8,225	\$ 15,000	\$ (6,775)
Contractual	5,242	5,000	242
Water Purchased (RWD)	80,479	95,000	(14,521)
Commodities	4,834	5,000	(166)
Capital Outlay	535	9,829	(9,294)
Transfer Out	0	0	0
Total Expenditures	\$ <u>99,315</u>	\$ <u>129,829</u>	\$ <u>(30,514)</u>
Receipts Over (Under) Expenditures	1,663		
Unencumbered Cash - Beginning	<u>45,272</u>		
Unencumbered Cash - Ending	\$ <u>46,935</u>		

City of Jewell
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**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014**

STATEMENT 3-7

SEWER

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts			
Miscellaneous	\$ 0	\$ 0	\$ 0
Charges to Customers	9,626	10,500	(874)
Total Cash Receipts	<u>\$ 9,626</u>	<u>\$ 10,500</u>	<u>\$ (874)</u>
Expenditures			
Personnel Services	\$ 4,141	\$ 0	\$ 4,141
Contractual	2,127	5,000	
Commodities	1,281	10,000	
Capital Outlay	432	5,000	(4,568)
Transfer To		0	0
Total Expenditures	<u>\$ 7,981</u>	<u>\$ 20,000</u>	<u>\$ (427)</u>
Receipts Over (Under) Expenditures	1,645		
Unencumbered Cash - Beginning	<u>14,581</u>		
Unencumbered Cash - Ending	<u><u>\$ 16,226</u></u>		

City of Jewell
Jewell, Kansas

**SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014**

STATEMENT 3-8

TRASH

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts			
Charges to Customers	\$ 26,927	\$ 31,159	\$ (4,232)
Total Cash Receipts	<u>\$ 26,927</u>	<u>\$ 31,159</u>	<u>\$ (4,232)</u>
Expenditures			
Personnel Services	\$ 0	\$ 0	\$ 0
Contractual	26,592	32,844	(6,252)
Commodities	0	0	0
Total Expenditures	<u>\$ 26,592</u>	<u>\$ 32,844</u>	<u>\$ (6,252)</u>
Receipts Over (Under) Expenditures	335		
Unencumbered Cash - Beginning	<u>2,815</u>		
Unencumbered Cash - Ending	<u>\$ 3,150</u>		

City of Jewell
Jewell, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

SCHOOL PROPERTY STATEMENT 3-9

	<u>Current Year</u> <u>2015</u>
Cash Receipts	
Miscellaneous	\$ 0
Interest-Idle Funds	219
Sales/Rent	961
Total Cash Receipts	<u>1,180</u>
Expenditures	
Personnel Services	4,264
Contractual	0
Commodities	0
Capital Outlay	0
Total Expenditures	<u>4,264</u>
Receipts Over (Under) Expenditures	(3,084)
Unencumbered Cash - Beginning	<u>73,472</u>
Unencumbered Cash - Ending	\$ <u>70,388</u>

City of Jewell
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-10

ULA MAAG

	<u>Current Year Actual</u>
Cash Receipts	
Miscellaneous	0
Interest-Idle Funds	1,602
Local Contributions	0
Total Cash Receipts	<u>1,602</u>
Cash Disbursements	
Personnel Services	0
Contractual	0
Commodities	0
Capital Outlay	0
Total Disbursements	<u>0</u>
Receipts Over (Under) Expenditures	1,602
Unencumbered Cash - Beginning	<u>251,711</u>
Unencumbered Cash - Ending	<u>\$ 253,313</u>

City of Jewell
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

STATEMENT 3-11

OLIVE SCHAFER

	Current Year 2015
Cash Receipts	
Miscellaneous	64
Interest-Idle Funds	1626
Local Contributions	0
Grant Funds	0
Total Cash Receipts	\$ <u>1,690</u>
Cash Disbursements	
Personnel Services	0
Contractual	0
Commodities	0
Capital Outlay	0
Total Disbursements	<u>0</u>
Receipts Over (Under) Expenditures	1,690
Unencumbered Cash - Beginning	<u>244,131</u>
Unencumbered Cash - Ending	\$ <u>245,821</u>

City of Jewell
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SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2014

AGENCY FUNDS

STATEMENT 4

Funds:	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Outstanding Encumbrances & A/P	Ending Cash Balance
BROADWAY STREET PROJECT	\$	0	0	607,298	0	0	0

CITY OF JEWELL
Jewell, Kansas

NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Jewell is a municipal Corporation established under Kansas Statute. The City is governed by an elected five member council and the mayor. The financial statements present the financial condition and results of operation of the city. The scope of the entity for financial reporting purposes is designed as those funds for which the City has oversight responsibility and is primarily accountable. Oversight responsibility includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. This regulatory financial statement presents the City's financial statements and does not include any related municipal entities.

This report is intended solely for the information and use of the management of the City, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and Kansas State Board of Education, and should not be used for any other purposes.

The Kansas Municipal Audit and Accounting Guide will be referred to as KMAAG throughout the notes.

Basis of Presentation

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restricts, or limitations. The following are Regulatory Basis Fund Types:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Proprietary fund – used to account for a governments' ongoing organizations and activities that resemble commercial activities performed by the government. Funds are obtained in whole or in part by fees charged to users of the goods or services.

Fiduciary fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Accounting-KMAAG Regulatory Basis of Accounting (Formerly Statutory Basis)

The KMAAG regulatory audit requirement of K.S.A. 75-1122 applies to each individual municipality as defined in K.S.A. 75-1117. The KMAAG regulatory financial reporting entity is comprised of the "municipality" as defined in K.S.A. 75-1117, as a minimum, and may also include certain separate legal entities referred to as "related municipal entities" as defined by KMAAG.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt,

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accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

GAAP Basis Financial Statements - Minimum Requirements. GAAP basis financial statements are financial statements prepared in accordance with "Governmental Accounting and Financial Reporting Standards" as promulgated by the Governmental Accounting Standards Board (GASB). For KMAAG purposes, if GAAP basis financial statements are presented, the basic financial statements and notes must be presented at a minimum. All other supplemental schedules are optional. However, the KMAAG mandatory note disclosures (if applicable) must still be presented even though they might not otherwise be required by GAAP to be included in the notes. KMAAG does not provide an example of GAAP financial statements.

Regulatory Basis Financial Statements - Minimum Requirements. If GAAP basis financial statements are not presented, then: 1) a GAAP waiver resolution must be passed, and 2) regulatory basis financial statements including regulatory-required supplementary information, must be presented. Regulatory basis financial statements are financial statements prepared in accordance with the guidelines of KMAAG. Such financial statements are prepared on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas and prepared in accordance with the prescribed format established by KMAAG.

The regulatory basis financial statement consists of a single basic financial statement which a summary statement is containing all funds and related municipalities included in the financial reporting entity and demonstrating compliance with the cash basis law. The remainder of the required financial information to be presented is considered regulatory-required supplementary information which includes 1) a fund summary schedule containing all funds and showing compliance with the budget law for those funds required to be budgeted, 2) individual fund schedules for all funds except agency funds, with budget comparisons for those funds required to be budgeted, 3) a fund summary schedule, for agency funds only, showing cash balances and changes therein, and 4) special schedules unique to the municipality. Note: Regulatory-required supplementary information are the additional schedules that are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide and are not to be considered as required supplementary information as defined by auditing standards generally accepted in the United States of America. In addition, the KMAAG mandatory note disclosures must be presented and must include all disclosures necessary for fair presentation in accordance with the KMAAG regulatory basis framework. All other schedules that may be presented are optional.

Departure from GAAP

A waiver from the requirement to prepare and audit GAAP basis financial statements is necessary *only if* the municipality decides to present regulatory basis financial statements. A waiver is not required for financial statements that are prepared in accordance with the GAAP basis framework but include certain departures from GAAP. For example, if GAAP financial statements are presented but do not include the management discussion and analysis, this would be a departure from GAAP. However, even lacking the management discussion and analysis required supplementary information, the basic financial statements may still be presented on a GAAP basis framework, thus a waiver would not be required. The City has approved a resolution that is compliance with K.S.A. 75-1120a(c) waiving the annual for application of GAAP for the year ended 12/31/14. This waiver is completed annually and allows the City to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balance, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statement.

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Reimbursed Expenses

The purpose of these expenditures is to repay the city for amounts remitted on behalf of another party and such expenditures are exempt for the budget law under K.S.A. 79-2934. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement. The Municipality records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Ad Valorem Tax Revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually the determination of assessed valuation and the collections of property taxes for all political subdivisions in determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20 to help finance the current year's budget. The second half is due May 10 and distributed to the City June 5. The City Treasurer draws all available funds from the County Treasurer's Office at designated times throughout the year.

Budgetary Data

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund. The statutes provide for the following sequence and time table in the adoption of the annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increase in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. Delinquent taxes are assessed interest at 9% per annum. This interest is retained by the County.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budget receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document

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evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditures authority) lapse at year-end.

A legal operating budget is not required for trust funds, agency funds, and the following special revenue funds: Textbooks and Student Materials, Athletic Gate Receipts and other School Agency/Activity Funds, Fee and User Charges/Clearing Accounts, Contingency Reserve, Employee Benefits, and Federal Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of Internal spending limits established by the governing body. Inventories and prepaid expenses which benefit future periods are recorded as an expenditures during the year of purchase. For disclosure purposes, material inventories would be reported as an asset offset by a reserve. The city had no material inventories.

A legal operating budget is not for required for the contingency fund, trust and agency funds, and the following special revenue funds: Ula Maag Fund, Olive Schafer Fund, and the School Property Fund.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance With Kansas Statutes and Other Finance Related Legal Matters

There are no noted violations with such compliance requirements.

NOTE C- DEPOSITS AND INVESTMENTS

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk. Cash balances from all funds are combined and invested to the extent available in certificates of deposits and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2014.

At year-end the carrying amount of the city's deposits, including certificates of deposit and money market accounts was \$726,192. The checking balance was \$16,723 and there were 3 CDs totaling \$709,469. Any differences between the carrying amount and the bank balance are outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining balance was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the city's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a third-party custodial agreement signed by all three parties: the city, the pledging bank, and the independent third-party banks holding the securities.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Investment Policy

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with

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allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit investment choices. Funds of the city were on deposit in interest bearing accounts in banks and Certificates of Deposits issued by banks at December 31, 2014.

The cash of each of the funds of the city is pooled together so that better management of cash and investments can be practiced, resulting in greater earnings accruing to the city. Please refer to Statement 1 to review how the various funds are accruing interest.

Fair Value of Financial Instruments

The fair value amounts for cash and cash equivalents approximate carrying amounts due to the short maturities of these instruments. Financial instruments that subject the city to significant concentration and credit risk consist of cash and cash equivalents and CDs. The city places its cash in market interest rate accounts and are insured fully by FDIC coverage and pledged securities with fair market value equal to or greater than its cash and cash equivalents.

NOTE D- COMPENSATED ABSENCES

Only employees hired on full time basis receive benefits.

Vacation - 1-3 years of service – 1 week paid, 3 years or more – 2 weeks paid vacation (Based on hours worked per week)

Sick leave - Six days per year or half day per month, based on hours worked per week. Cannot accumulate more than twelve days. May not draw in advance. After one day absence, a doctor's note or evidence from a doctor is required. Employees will not be reimbursed for unused sick days

Liability for compensated absences is not reflected in the financial statements.

NOTE E- RETIREMENT PLAN

Full time employees after one year of service shall receive matching funds of fifty dollars monthly for IRA account. Employee must match employer contribution to receive city's contribution. IRA benefits will cease to exist when employee reaches age 65.

NOTE F - RISK MANAGEMENT AND RELATED INSURANCE ISSUES

The city is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and nature disasters. The city continues to carry insurance for all risks of loss including workers compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE G- FIDUCIARY/TRUST TYPE FUNDS

The City has three fiduciary type funds which it manages. Please refer to statement 1 for the balances of these accounts.

NOTE H- LONG-TERM DEBT

The City is responsible for a Kansas Department of Transportation Loan (Transportation Revolving Fund). Please refer to the attachment 1 and Note M in the notes for information regarding the loan and the repayments.

NOTE I- CAPITAL PROJECT COMPLIANCE

The City currently has no capital projects being undertaken. The Broadway Street Project has been finalized in 2014. Please refer to Statement 4 as well as attachment 1 for repayment information.

**CITY OF JEWELL
Jewell, Kansas**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE J- LITIGATION CONTINGENCIES

The City currently has no litigation contingencies that it is involved in as of the audit date.

NOTE K- COMMITMENT AND CONTINGENCIES

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the City at December 31, 2014.

NOTE L- SUBSEQUENT EVENTS

The financial statements considered subsequent events through July 27, 2015, the date the financial statements were available to be issued.

City of Jewell
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December 31, 2014

Note M - Long-term Debt Analysis

STATEMENT OF CHANGES IN LONG - TERM DEBT

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance</u>		<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
				<u>Beginning of Year</u>	<u>Year</u>					
TRF LOAN	0 \$	272,200	8/1/2033 \$	0 \$		272,200 \$	\$8,229 \$	\$0 \$	\$263,971 \$	\$641
TOTAL LONG TERM - DEBT			\$	<u>\$0 \$</u>		<u>\$272,200 \$</u>	<u>\$8,229 \$</u>	<u>\$0 \$</u>	<u>\$263,971 \$</u>	<u>\$641</u>

YEAR

PAID	
TRF LOAN	<u>2014</u>
\$	<u>\$8,229</u>
	<u>2015-2033</u>
REMAINING	
TRF LOAN	<u>\$263,971</u>
\$	

KANSAS DEPARTMENT OF TRANSPORTATION

Transportation Revolving Fund

City of Jewell

Final Amortization Schedule TR-0145

Interest Rate: 3.64% Service Fee: 0.25% Total Rate: 3.89%

Date	Item	Draws	Beginning Balance	Payment	Principal	Interest	Service Fee	Ending Balance	Annual Pmt for Budget
01/01/14	Origination Date:								
03/20/14	0	30,000.00	-	-	-	-	-	30,000.00	
06/27/14	0	35,560.29	30,000.00	-	-	-	-	65,560.29	
07/14/14	0	59,589.70	65,560.29	-	-	-	-	125,149.99	
08/01/14	Payment 1	-	125,149.99	8,914.10	8,229.33	640.76	44.01	116,920.66	8,914.10
08/12/14	0	128,238.16	116,920.66	-	-	-	-	245,158.82	
09/12/14	0	18,811.85	245,158.82	-	-	-	-	263,970.67	
02/01/15	Payment 2	-	263,970.67	4,959.99	-	4,641.22	318.77	263,970.67	
08/01/15	Payment 3	-	263,970.67	14,940.80	9,806.57	4,804.27	329.96	254,164.10	19,900.79
02/01/16	Payment 4	-	254,164.10	4,943.50	-	4,625.79	317.71	254,164.10	
08/01/16	Payment 5	-	254,164.10	14,957.29	10,013.79	4,625.79	317.71	244,150.31	19,900.79
02/01/17	Payment 6	-	244,150.31	4,748.73	-	4,443.54	305.19	244,150.31	
08/01/17	Payment 7	-	244,150.31	15,152.06	10,403.33	4,443.54	305.19	233,746.98	19,900.79
02/01/18	Payment 8	-	233,746.98	4,546.38	-	4,254.20	292.18	233,746.98	
08/01/18	Payment 9	-	233,746.98	15,354.41	10,808.03	4,254.20	292.18	222,938.95	19,900.79
02/01/19	Payment 10	-	222,938.95	4,336.16	-	4,057.49	278.67	222,938.95	
08/01/19	Payment 11	-	222,938.95	15,564.63	11,228.47	4,057.49	278.67	211,710.48	19,900.79
02/01/20	Payment 12	-	211,710.48	4,117.77	-	3,853.13	264.64	211,710.48	
08/01/20	Payment 13	-	211,710.48	15,783.02	11,665.25	3,853.13	264.64	200,045.23	19,900.79
02/01/21	Payment 14	-	200,045.23	3,890.88	-	3,640.82	250.06	200,045.23	
08/01/21	Payment 15	-	200,045.23	16,009.91	12,119.03	3,640.82	250.06	187,926.20	19,900.79
02/01/22	Payment 16	-	187,926.20	3,655.17	-	3,420.26	234.91	187,926.20	
08/01/22	Payment 17	-	187,926.20	16,245.62	12,590.45	3,420.26	234.91	175,335.75	19,900.79
02/01/23	Payment 18	-	175,335.75	3,410.28	-	3,191.11	219.17	175,335.75	
08/01/23	Payment 19	-	175,335.75	16,490.51	13,080.23	3,191.11	219.17	162,255.52	19,900.79
02/01/24	Payment 20	-	162,255.52	3,155.87	-	2,953.05	202.82	162,255.52	
08/01/24	Payment 21	-	162,255.52	16,744.92	13,589.05	2,953.05	202.82	148,666.47	19,900.79
02/01/25	Payment 22	-	148,666.47	2,891.56	-	2,705.73	185.83	148,666.47	
08/01/25	Payment 23	-	148,666.47	17,009.23	14,117.67	2,705.73	185.83	134,548.80	19,900.79
02/01/26	Payment 24	-	134,548.80	2,616.98	-	2,448.79	168.19	134,548.80	
08/01/26	Payment 25	-	134,548.80	17,283.81	14,666.83	2,448.79	168.19	119,881.97	19,900.79
02/01/27	Payment 26	-	119,881.97	2,331.70	-	2,181.85	149.85	119,881.97	
08/01/27	Payment 27	-	119,881.97	17,569.09	15,237.39	2,181.85	149.85	104,644.58	19,900.79
02/01/28	Payment 28	-	104,644.58	2,035.34	-	1,904.53	130.81	104,644.58	
08/01/28	Payment 29	-	104,644.58	17,865.45	15,830.11	1,904.53	130.81	88,814.47	19,900.79
02/01/29	Payment 30	-	88,814.47	1,727.44	-	1,616.42	111.02	88,814.47	
08/01/29	Payment 31	-	88,814.47	18,173.35	16,445.91	1,616.42	111.02	72,368.56	19,900.79
02/01/30	Payment 32	-	72,368.56	1,407.57	-	1,317.11	90.46	72,368.56	
08/01/30	Payment 33	-	72,368.56	18,493.22	17,085.65	1,317.11	90.46	55,282.91	19,900.79
02/01/31	Payment 34	-	55,282.91	1,075.25	-	1,006.15	69.10	55,282.91	
08/01/31	Payment 35	-	55,282.91	18,825.54	17,750.29	1,006.15	69.10	37,532.62	19,900.79
02/01/32	Payment 36	-	37,532.62	730.01	-	683.09	46.92	37,532.62	
08/01/32	Payment 37	-	37,532.62	19,170.78	18,440.77	683.09	46.92	19,091.85	19,900.79
02/01/33	Payment 38	-	19,091.85	371.33	-	347.47	23.86	19,091.85	
08/01/33	Payment 39	-	19,091.85	19,463.18	19,091.85	347.47	23.86	-	19,834.51
		272,200.00		386,962.83	272,200.00	107,387.31	7,375.32		386,962.83